APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DECIDED APRIL 12, 2007

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2006-1260, -1437

ACUMED LLC,

Plaintiff-Appellee,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORPORATION,

Defendants-Appellants.

DECIDED: April 12, 2007

Before GAJARSA, LINN, and MOORE, *Circuit Judges*.

Opinion for the Court filed by *Circuit Judge* GAJARSA. Dissenting opinion filed by *Circuit Judge* MOORE.

GAJARSA, *Circuit Judge*.

This patent infringement case deals with orthopedic devices for the treatment of fractures to the upper arm. Defendants Stryker Corp., Stryker Sales Corp., Stryker Orthopaedics, and Howmedica Osteonics Corp. (collectively,

"Stryker") appeal from the final judgment of the United States District Court for the District of Oregon, following a jury trial, finding Stryker liable to plaintiff Acumed LLC ("Acumed") for willful infringement of U.S. Patent No. 5,472,444 ("the '444 patent"). We affirm the district court's findings of infringement and willfulness, but vacate the permanent injunction issued against Stryker and remand for reconsideration in light of the Supreme Court's decision in *eBay Inc. v. MercExchange, LLC*, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006).

I. BACKGROUND

A. *The Technology and Patent*

Acumed is the assignee of the '444 patent, which is directed to an orthopedic nail for the treatment of fractures in the humerus (the upper arm bone which ends in the shoulder ball at top and the elbow joint at the bottom). In the most common form of fracture to this bone, the patient falls on top of his or her arm, breaking the shoulder ball (the "humeral cortex") off from the longer part of the bone (the "humeral shaft"). Sometimes the humeral cortex itself breaks into two or three pieces as well. *See* '444 patent col.1 ll.17-27. Orthopedic surgeons use nails like the one disclosed in the patent to treat this type of fracture by excavating a hole through the humeral cortex and down the humeral shaft, inserting the nail into the hole, then fixing it in place using bone screws that pass through holes in the nail. This procedure secures the bone pieces of the cortex to each other and to the shaft.

Appendix A

Claim 1 of the '444 patent contains every limitation disputed on appeal by the parties. It reads:

> An elongated tapered nail for securing fractures of the proximal humerus comprising:
>
> an elongated body having a *curved shank* configured to occupy an upper portion of the proximal humeral shaft, and a contiguous butt portion extending proximally from the shank and configured to occupy the humeral cortex;
>
> the butt portion being shorter than the shank and defining a plurality of at least three *transverse holes*, each defining a hole axis, with the three hole axes *angularly offset* from each other, such that the holes may receive fasteners attached to fragments of the humeral cortex.

'444 patent col.5 ll.44-50 (disputed terms emphasized).

B. *Stryker's Dealings with Opinion Counsel*

On August 28, 2002, Stryker's German patent attorney, Edo Graalfs, wrote a letter to his American counterpart, Raymond W. Augustin, regarding the humeral nail Stryker was in the process of developing. Graalfs expressed concern that the Stryker nail might infringe the '444 patent:

> [T]he independent claim 1 of this U.S. patent has a relatively brought [*sic*, "broad"] scope of protection. . . . I advised that the nail must not be

> provided with a curvature as this is a feature of independent claim 1. Now it turned out that for business reasons it would be a requirement to also use a curved shank. I expressed my doubts ... that it could be possible to find a structure not covered by the mentioned U.S. patent.

Augustin then placed a memorandum to file dated December 13, 2002, in which he echoed Graalfs' concerns:

> [T]he Stryker Trauma humeral nail would have each and every element of claim 1 . . . of the '444 patent. . . . [I]t is our opinion that there is no strong invalidity argument which could be used against all the '444 issued claims based on the prior art known at this time. . . . In conclusion, it is our opinion that a curved version of the Stryker Trauma humeral nail . . . should not be marketed in the United States.

Testimony at trial indicated that the Stryker nail eventually sold in the United States did not differ in any relevant respect from the design specifications reviewed by Graalfs and Augustin in writing these letters.

After his initial memorandum to file, Augustin drafted a formal opinion of counsel letter and transmitted it to Stryker on November 19, 2003. This opinion letter was longer and more detailed than the earlier memo to file. In it, Augustin concluded—using claim construction arguments basically identical to those made by Stryker during this litigation—that the Stryker nail would not infringe any claim of the '444

patent either literally or by equivalents. He also expressed a belief that Claim 1 of the '444 patent was invalid due to anticipation by an earlier Stryker product.[1]

At trial, Acumed presented evidence tending to show that Stryker did not seriously rely upon the later opinion letter from Augustin. For instance, Stryker filed with the FDA its application for the accused device on August 14, 2003, some months before Augustin transmitted the favorable opinion letter. Gregory Plakson, Stryker's Director of Intellectual Property, testified at his deposition that he did not understand portions of the opinion letter and did not ask Augustin anything about the opinion. Acumed also presented evidence tending to show copying by Stryker, including that a Stryker consultant "confiscated" from an operating room a how-to chart detailing the assembly and insertion of Acumed's product.

C. *Litigation background*

Stryker began to sell its accused humeral nail in the United States in early 2004. In April 2004, Acumed filed suit against Stryker in the District of Oregon, alleging infringement of Claims 1, 3-5, 10, 11, and 14-17 of the '444 patent. Following a *Markman* hearing, the district court construed the disputed terms. It defined "curved shank" as "a shank that has a bend or deviation from a straight line without sharp corners or sharp angles" and "transverse holes" as "holes across the butt portion of the nail." It also found that

---

1. Stryker does not pursue any invalidity arguments in this appeal.

> the term "angularly offset from each other" means the axes of the three holes are spaced apart from each other, an angle is formed by the axes of any two such holes when viewed in two dimensions from the butt end or from the side, and the axes are not aligned in a parallel orientation.

Acumed LLC v. Stryker Corp., No. 04-CV-513-BR (D.Or. Oct. 14, 2004) ("*Order on Claim Construction*"). The case proceeded to jury trial on infringement, willfulness, and invalidity. The jury found that the asserted claims were valid, that Stryker's product literally infringed those claims, and that Stryker's infringement was willful. The district court denied Stryker's motion for judgment notwithstanding the verdict and awarded Acumed enhanced damages for willful infringement, increasing the damages found by the jury by fifty percent. It permanently enjoined Stryker from selling the accused device in the United States.

Stryker appeals the jury verdict of infringement and willfulness and the district court's grant of injunctive relief. This court has jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

II. DISCUSSION

A. *Standard of review*

A finding of patent infringement requires a two-step process: first, the court determines the meaning of the disputed claim terms, then the accused device is compared to the claims as construed to determine infringement.

Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed.Cir.1995), *aff'd*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996). We review the construction step *de novo*. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed.Cir.1998) (*en banc*). When reviewing a district court's denial of a motion for judgment as a matter of law, we review the jury's factfinding on the infringement step for support by substantial evidence. *Id.* at 1454. Whether infringement is willful is a factual question that must be proven by clear and convincing evidence. *Comark Commc'ns v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed.Cir.1998). To reverse a willfulness verdict, an infringer must show that there is not "substantial evidence to support the jury's finding of willfulness by clear and convincing evidence." *Id.*

B. *Claim Construction and Infringement*

1. "Curved shank"

The main dispute between the parties on construction relates to the claim requirement of a "curved shank," construed by the district court to mean a shank that "has a bend or deviation from a straight line without sharp corners or sharp angles." Stryker challenges that interpretation, arguing that the better reading of the term is "a nonangular continuous bend."

When construing claims, a court must begin by "look[ing] to the words of the claims themselves . . . to define the scope of the patented invention." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed.Cir.2005) (*en banc*) (quoting *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582

(Fed.Cir.1996)). The task of comprehending those words is not always a difficult one. "In some cases, the ordinary meaning of claim language as understood by a person of skill in the art may be readily apparent even to lay judges, and claim construction in such cases involves little more than the application of the widely accepted meaning of commonly understood words." *Id.* at 1314. "[C]urved," as it is used in the '444 patent, is not a "term [] that ha[s] a particular meaning in a field of art." *Id.* Its ordinary meaning encompasses "curvature" made up of small discontinuities. Consider, for instance, an archway made from rectangular bricks. The bricks are at angles with respect to each other, but the overall effect is to describe an arc. It would be unreasonable to say that such an archway is not "curved." If the word "curved" is given its ordinary, lay meaning, the district court's construction is correct.

Stryker argues that "curved" is implicitly assigned a different, narrower meaning by virtue of the context in the written description in which it appears. *See id.* at 1316 ("[T]he specification may reveal a special definition given to a claim term by the patentee that differs from the meaning it would otherwise possess. In such cases, the inventor's lexicography governs."). That argument is based on a particular manner of implanting the nail disclosed and touted by the written description. The '444 patent's Summary of the Invention section states that "[t]he curved tapered shape of the present invention permits it to be inserted into a cavity formed by a broach tool having the same shape as the nail." '444 patent col.1 ll.49-51. A broach tool is "essentially a rasp having the same profile as the hole it is intended to form." *Id.* col.3 ll.27-28. The patent teaches that broaching

is advantageous, since, *inter alia*, it "generally causes less tissue damage than a rotating drill bit or reamer." *Id.* col.3 ll.32-33. However, "[b]roaching is only suitable for certain shapes of holes and objects"—in particular, it is useful only for an object that "largely pass[es] through its own envelope." *Id.* col.3 ll.37-40. "Objects with angled bends or small radius curves (relative to the object length) do not pass through their own envelope on insertion, and are not well suited to insertion into a broached hole." *Id.* col.3 ll.45-48.

Stryker's argument is essentially an assertion that since the patent says broaching is desirable, the term "curved" must be construed to cover only embodiments whose curvature allows them to be inserted into a broached hole, excluding "angled bends or small radius curves." That assertion is flawed: it is an attempt to import a feature from a preferred embodiment into the claims. *See Phillips*, 415 F.3d at 1323 ("[A]lthough the specification often describes very specific embodiments of the invention, we have repeatedly warned against confining the claims to those embodiments."). Neither use with a broaching tool nor suitability for such use is claimed. Indeed, the application which led to the '444 patent originally included claims to the method of implanting the nail with a broaching tool, but the patentee elected to withdraw those claims from the application after the Examiner noted they were directed to a separate, distinct invention.

The fact that usability with a broaching tool is merely a feature of a preferred embodiment provides sufficient grounds for refusing to read "curved" narrowly. We also note, though, that the patent's Claim 13 (not asserted by Acumed

in this case) covers "[t]he nail of claim 1 having a profile that substantially passes within its own envelope." '444 patent col.6 ll.26-27. "[T]he presence of a dependent claim that adds a particular limitation raises a presumption that the limitation in question is not found in the independent claim." *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 910 (Fed.Cir.2004); *see also Wengner Mfg., Inc. v. Coating Mach. Sys., Inc.*, 239 F.3d 1225, 1234 (Fed.Cir.2001); *Comark*, 156 F.3d at 1187; *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017, 1023 (Fed.Cir.1987). "That presumption is especially strong when the limitation in dispute is the only meaningful difference between an independent and dependent claim, and one party is urging that the limitation in the dependent claim should be read into the independent claim." *SunRace Roots Enter. Co. v. SRAM Corp.*, 336 F.3d 1298, 1303 (Fed.Cir.2003); *see also Ecolab Inc. v. Paraclipse, Inc.*, 285 F.3d 1362, 1375-76 (Fed.Cir. 2002); *Wegner Mfg.*, 239 F.3d at 1233 ("Claim differentiation . . . is clearly applicable when there is a dispute over whether a limitation found in a dependent claim should be read into an independent claim, and that limitation is the only meaningful difference between the two claims."). If we were to give "curved" in Claim 1 the meaning which Stryker advances, Claim 1 would cover only nails that "substantially pass [] within [their] own envelope[s]." Such a restrictive reading would render Claims 1 and 13 identical in scope. Since independent claims are presumed to have broader scope than their dependents, the presumption is that Claim 1 should not be limited in the manner Stryker urges. For the reasons discussed above, that presumption has not been rebutted.

Stryker also argues that the district court's exclusion of "sharp corners or sharp angles" renders the construction insufficiently definite, since the court did not specify precisely how "sharp" is too sharp. However, a sound claim construction need not always purge every shred of ambiguity. The resolution of some line-drawing problems—especially easy ones like this one—is properly left to the trier of fact. *See PPG Indus. v. Guardian Indus. Corp.*, 156 F.3d 1351, 1355 (Fed.Cir.1998) ("[A]fter the court has defined the claim with whatever specificity and precision is warranted by the language of the claim and the evidence bearing on the proper construction, the task of determining whether the construed claim reads on the accused product is for the finder of fact."); *Modine Mfg. Co. v. U.S. Int'l Trade Comm'n*, 75 F.3d 1545, 1554 (Fed.Cir.1996) (whether claim limitation requiring diameter of "about 0.040 inch" embodied held a matter of "technologic fact"); *see also Abbott Labs. v. Baxter Pharm. Prods., Inc.*, 471 F.3d 1363, 1368 (Fed.Cir.2006) (where result is the same under any reasonable construction, "we need not construe [the disputed] phrase with numerical exactitude."). Here, the accused product has a rounded-off six-degree angle in its shaft. A reasonable jury could have found that in the context of this sort of nail, a rounded bend of six degrees was not a "sharp angle." The jury's conclusion is bolstered by the testimony of Stryker's own technical expert, who noted in reference to the Stryker nail that "there's no sharp angle there." There may be some area of imprecision within the district court's "without sharp angles" construction, but this accused product is in no danger of falling within that area. The construction is correct, and the jury's finding that the Stryker nail possesses a "curved shank" is supported by substantial evidence.

2. "Transverse holes"

The district court defined "transverse holes" as "holes across the butt portion of the nail." Stryker argues that this claim term should be limited to holes that are perpendicular to the nail shaft, excluding from the claim scope holes that are tilted so that one end of the hole is vertically offset from the other end. Again, this argument is an improper attempt to read a feature of the preferred embodiment into the claims as a limitation.

Stryker's argument for a narrow reading of "transverse" stems from the fact that "[e]very description of the transverse holes in the '444 patent contemplates a perpendicular hole." This is a correct characterization of the patent: every figure which illustrates the holes shows them going perpendicularly through the shaft, and the written description characterizes the holes in Figure 2 as "perpendicular to the portion of the nail axis at the butt portion 14 of the nail." '444 patent col.2 ll.58-59. However, Figure 2 and the text characterizing it simply discloses a single, preferred embodiment of the invention. "[A]lthough the specification often describes very specific embodiments of the invention, we have repeatedly warned against confining the claims to those embodiments." *Phillips*, 415 F.3d at 1323; *see also Comark*, 156 F.3d at 1186-87.

The plain meaning of Claim 1 covers more than the particular embodiment shown in the figures. While the disclosed embodiment possesses "perpendicular" holes, the claim language covers all "transverse" holes—a word that does not necessarily imply right angles. Moreover, the

patentees' description of their preferred embodiment itself implies a difference between the words "perpendicular" and "transverse." The written description states that Figure 2 "illustrates a plurality of transverse holes, each of which is ... perpendicular to the portion of the nail axis at the butt portion 14 of the nail." '444 patent col.2 ll.56-59. This implies that a "transverse" hole need not be "perpendicular"—if it were, the patentee would not have needed to clarify that these holes, in addition to being transverse, were perpendicular to the nail axis. Just as in *Phillips*, where the asserted claim mentioned "steel baffles" and hence "strongly implie[d] that the term 'baffles' does not inherently mean objects made of steel," 415 F.3d at 1314, this usage of language is strong evidence that the patentee considered "transverse" and "perpendicular" to have distinctly different meanings.

The intrinsic evidence of the specification therefore suggests that the patentees knew how to restrict their claim coverage to holes passing through at right angles. They could have used the word "perpendicular," as they did in discussing their preferred embodiment. Instead, they chose a different term that implies a broader scope. The intrinsic evidence does not indicate that one of skill in the art would believe the patentees meant "perpendicular" when they said "transverse." There is very little indication that the patentees considered perpendicularlity important to their invention. The patentees tout the virtue of their preferred hole orientation only once, noting that "[t]he predictability of fracture modes makes the orientation of holes in the illustrated embodiment suitable *in most cases*." '444 patent col.4 ll.65-67 (emphasis added). Far from demonstrating that "the patentee[s] ... intend[ed]

for the claims and the embodiments in the specification to be strictly coextensive" with respect to this limitation, *Phillips*, 415 F.3d at 1323, this statement admits that the disclosed perpendicular hole orientation may not always be ideal. *See* '444 patent col.5 ll.2-4 (suggesting that, if holes are not "ideally situated, the surgeon may slightly rotate the nail to achieve a more favorable alignment"). Nowhere in the specification or the prosecution history do the patentees criticize or distinguish tilted, non-perpendicular holes.

The dissent states that the specification language which discloses only perpendicular holes should be determinative of the claim scope. In particular, it points to three instances in the written description where "transverse holes" are described as "perpendicular." Dissent at 812-13 (citing '444 patent col. 2 ll.57-59; col.3 ll.1-3; col.3 ll.9-11). All three of these instances appear in a textual description of the patent's Figure 2, indicating that the holes depicted in that figure are perpendicular to the nail axis. Thus, while the dissent emphasizes the fact that there are three references to "perpendicular" holes in the specification, its argument is ultimately premised on characteristics which the patentee has attributed to a single preferred embodiment. In the context of this patent, such an argument must be contradicted by "our repeated statements that limitations from the specification are not to be read into the claims." *Comark*, 156 F.3d at 1186; *see also id.* at 1187 ("[T]he language that [the defendant] argues should limit claim 1 is clearly found in the . . . patent's description of the preferred embodiment. It is precisely against this type of claim construction that our prior case law counsels.").

Appendix A

By highlighting the specification phrase "each of which is defined" and by describing that phrase as "important[ ]," Dissent at 814, the dissent appears to suggest that the patentee has in some sense imposed a limiting *definition* upon the word "transverse." But the use of the word "defined" here does not imply a lexicographic definition, especially not a definition of "transverse" to mean "perpendicular." Instead, the statement that the holes of the cited embodiment are "defined on . . . an axis" merely introduces the useful abstract concept of a "hole axis," later employed in the claims to describe the orientation of the holes with respect to each other. *See* '444 patent, Claim 1, col.5 ll.53-54 ("the three hole axes [are] angularly offset from each other . . ."). The claims repeatedly echo this form of usage of the word "define." *See, e.g.*, '444 patent Claim 1, col.5 ll.51-53 ("the butt portion . . . *defining* a plurality of at least three transverse holes, each *defining* a hole axis" (emphasis added)); Claim 2, col.5 ll.57-58 ("the curved shank includes a curved portion *defining* a curved central axis"); Claim 3, col.5 ll.60-61 ("the butt portion *defines* a central axis"). If the word "define" were always to be an important signifier of limitation, this claim language would indicate that the butt portion has been defined to be transverse holes, that those holes in turn have been defined as hole axes, and that the curved portion and butt portion—physical parts of the nail—have each been dubbed identical to an imaginary central axis. These interpretations are incorrect, but they are the natural consequence of finding a restrictive definition of a term anywhere the word "define" might appear in this patent, regardless of context. The specification does not define "transverse" and "perpendicular" to be coequal in meaning.

The fact that the term "transverse" has a broader scope than "perpendicular" also distinguishes this case from *Nystrom v. TREX Co.*, 424 F.3d 1136 (Fed.Cir.2005), relied upon by the dissent. *See* Dissent at 814-15. In *Nystrom*, "both parties acknowledge[d] the ordinary meaning of 'board' as 'a piece of sawed lumber,' " but the patentee sought to have that claim term "broaden[ed] ... to encompass relatively obscure definitions that are not supported by the written description or prosecution history." *Id.* at 1145. We refused to impose a construction broader than the term's ordinary meaning. *Id.* at 1145-46. Here, on the contrary, we decline to impose a construction *narrower* than the term's ordinary meaning.

The dissent cites to other patents whose usage of "transverse" arguably supports its conclusion. Dissent at 815-16. One of them, U.S. Patent No. 5,697,934, is purely extrinsic evidence and therefore merits little consideration. *See Phillips*, 415 F.3d at 1317. The other, U.S. Patent No. 4,475,545, is cited by the '444 patent and is part of the intrinsic record. However, it was not "created by the patentee in attempting to explain and obtain the patent." *Id.* Its usage is not that of this patentee, and so it also merits less weight than the evidence of the patentee's own words. While these patents merit some consideration, the specification and claims of the '444 patent itself should be given significantly greater weight. *Id.* (noting that prosecution evidence "is less useful for claim construction purposes").

A proper reading of the intrinsic evidence indicates that where the patentees discussed the perpendicular holes of their preferred embodiment, they were not narrowly defining the

term "transverse" or otherwise limiting the claims, but merely discharging their statutory duties "to teach and enable those of skill in the art to make and use the invention and to provide a best mode for doing so." *Phillips*, 415 F.3d at 1323. That preferred embodiment cannot be the only product covered by the claims; if it were, the claims themselves would be unnecessary. The district court's construction of "transverse holes" is correct.[2]

---

2. Observing that the district court defined "holes" as "openings through the butt portion of the nail" and "transverse" as "being across or set crosswise," the dissent argues that these two definitions imply that "transverse holes" has been construed to mean "openings *through across* the butt portion of the nail." Dissent at 815. If the district court's definitions of those two words are so concatenated, that is indeed the result. We of course do not propound such a construction. Neither did the district court: after defining "transverse" and "holes," it defined the *phrase* "transverse holes" as "holes across the butt portion of the nail." *Order on Claim Construction* at 804. The construction of the disputed phrase as a whole is correct, and that construction is what we affirm today. Our *de novo* review means that we need not decide whether the logic or subsidiary definitions used by the district court to reach the correct construction were sound. Likewise, *de novo* review makes the atmospherics of the *Markman* hearing, *see* Dissent at 812-13, legally irrelevant here. We review only the district court's finished product, not its process. Furthermore, the dissent's criticism of that process contends that *Phillips* prohibited the district court from beginning its interpretive inquiry by consulting a dictionary. Dissent at 813 ("In accordance with *Phillips*, the interpretative inquiry should begin not with a dictionary definition. . . ."). Although in *Phillips* we rejected an approach in which a broad dictionary definition is adopted and then whittled down only if contradicted by the specification, 415 F.3d at 1321, we did not prohibit the use of dictionaries in claim construction, nor did we define at what point in the claim construction analysis they may be consulted.

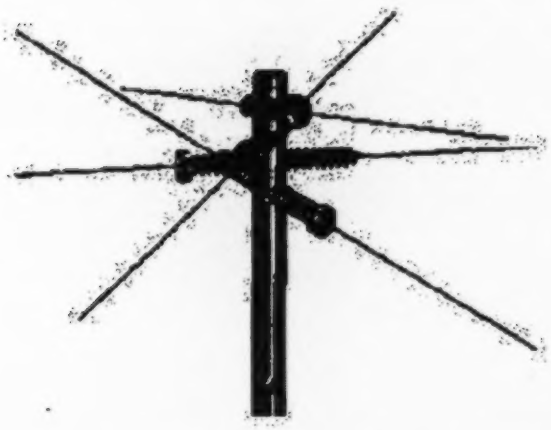
Appendix A

3. "Angularly offset"

As noted above, the district court interpreted the claim requirement that the hole axes be "angularly offset" to mean that "the axes of the three holes are spaced apart from each other, an angle is formed by the axes of any two such holes when viewed in two dimensions from the butt end or from the side, and the axes are not aligned in a parallel orientation." Neither party challenges this definition on appeal, but Stryker argues that its accused product does not fall within the definition.

Stryker's argument is geometrical in nature. A "hole axis" under the district court's definition is the imaginary line that passes through the center of one of the transverse holes. Stryker correctly points out that the axes thus defined by the accused product form "skew lines" which are neither parallel nor intersecting in three-dimensional space. Since those lines neither form angles nor run parallel with each other, Stryker suggests that its product falls outside the district court's definition. However, this argument ignores an essential part of that definition, which states that "an angle is formed . . . when [the hole axes are] *viewed in two dimensions.*" The district court's meaning here is clear: the hole axes need not *actually* intersect. It suffices that the axes *appear* to intersect in two dimensions. As an example, if the hole axes are sketched on a piece of paper (a two-dimensional view of the nail) and the lines of that drawing intersect, the product drawn meets the district court's definition of "angularly offset." It is totally clear that the hole axes of Stryker's product intersect when drawn on paper, a point well illustrated by Stryker's own diagram in support of its argument on this point:

Appendix A



This diagram, which represents the accused product, shows intersecting hole axes when viewed in two dimensions. The jury's finding that Stryker's product embodies the "angularly offset" claim limitation is therefore supported by substantial evidence.

4. Conclusion

Since the district court's claim construction is correct and there is substantial evidence to support the jury's finding that Stryker's product embodies each claim limitation at issue, the judgment of infringement is affirmed.

C. *Willful Infringement*

The jury found Stryker's infringement to be willful, despite the fact that Stryker admitted into evidence the November 19, 2003 opinion letter from Augustin which concluded that Stryker's product would not infringe. Favorable opinions of counsel normally present a well-grounded defense to willfulness, but the protection they afford is not absolute. "Those cases where willful

infringement is found despite the presence of an opinion of counsel generally involve situations where opinion of counsel was either ignored or found to be incompetent." *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828-29 (Fed.Cir.1992).

Willfulness is "not an all-or-nothing trait, but one of degree." *Comark*, 156 F.3d at 1182 (quoting *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125-26 (Fed.Cir.1987)). Whether an infringer ignored the opinion of its counsel is, as part of the willfulness inquiry, also a question of degree. Evidence of the extent of that ignorance should be weighed by the factfinder together with the totality of the other circumstances surrounding the infringer's culpability. *See Comark*, 156 F.3d at 1191 (evaluating opinion of counsel within a totality of the circumstances).

Here, substantial evidence supports a finding that Stryker ignored the November 2003 opinion letter to an extent sufficient to permit willfulness to be found in these circumstances. Most notable is the fact that two patent attorneys, Graalfs and Augustin, had at first strongly discouraged Stryker from marketing the infringing nail in the United States. Despite that advice, Stryker continued to push towards a United States market entry, filing its FDA application months before it received Augustin's revised legal advice. Additionally, Acumed presented evidence that Stryker copied its product, including that Stryker arranged to "confiscate" a hospital room chart instructing doctors in the use of the Acumed nail.

There is evidence in the record tending against willfulness, such as the Augustin opinion letter itself and

the testimony of Stryker's Director of Intellectual Property that he ordered no sales be made in the United States until after the favorable opinion letter. However, it is for the jury, not this court, to determine the weight and credibility to be given to the evidence. *See Comark*, 156 F.3d at 1192 (court determining whether to overturn a jury verdict is "not required to assume that the jury believed all or indeed any . . . exculpatory evidence"). The jury here was free to disbelieve or weigh lightly evidence tending to show Stryker's reliance on the opinion letter and to place that evidence within the overall factual context of the case.

Substantial evidence supports the jury's finding that Stryker's infringement was willful. The judgment of willfulness is therefore affirmed.

D. *Permanent Injunction*

In ruling on the plaintiffs' motion for a permanent injunction, the district court applied "the general rule [in patent cases] that an injunction will issue, once infringement and validity have been adjudged . . . unless there are some exceptional circumstances that justify denying injunctive relief." Transcript of Record at 53, *Acumed, LLC v. Stryker Corp.*, No. CV-04-513 (D. Oregon Feb. 22, 2006). The Supreme Court has since struck down that general rule in *eBay v. MercExchange*, making clear that the traditional four-factor test for injunctions applies to patent cases. 126 S.Ct. at 1840.

Acumed argues that the facts found by the district court can serve as independent support for the injunction, even

without application of the old general rule. This court cannot express a position on that argument. If we were to weigh the evidence ourselves to reach a conclusion on injunctive relief, we would effectively be exercising our own discretion as if we were the first-line court of equity. That role belongs exclusively to the district court. Our task is solely to review the district court's decisions for an abuse of discretion. *See eBay*, 126 S.Ct. at 1839 ("The decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion."). Accordingly, the permanent injunction is vacated. On remand, the district court should reconsider the four-factor test as propounded by the Supreme Court's decision in *eBay* as to whether or not an injunction should issue.

III. CONCLUSION

The district court's claim construction and its findings of infringement and willfulness are affirmed. The permanent injunction is vacated and remanded.

AFFIRMED-IN-PART, VACATED-IN-PART, AND REMANDED

No costs.

Appendix A

MOORE, *Circuit Judge*, dissenting.

I agree with the majority's holding in all respects save one. I write separately to voice my disagreement with the majority's holding that the district court properly construed "transverse holes" in claim 1 of the '444 patent to mean "holes across the butt portion of the nail." Because the majority concludes that the district court's claim construction was proper, it affirms the court's finding of literal infringement. From that decision, I respectfully dissent.

At the outset, I note that I am troubled by the district court's clear reliance on a common English language dictionary, which was published ten years after the '444 patent issued to construe the term "transverse holes." During the claim construction hearing, the court explained that the dictionary would be "an aid to our work." The court not only used the dictionary as an "aid," but actually utilized the dictionary definitions as the starting point when defining each of the disputed claim terms.[1] Moreover, the court seemed to disregard the briefs in favor of off-the-cuff attorney argument during claim construction. In fact, when Stryker argued that

1. It should be noted that the claim construction hearing in this case occurred before this court's en banc decision in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed.Cir.2005). Thus, the district court may have been following the methodology described in *Texas Digital Systems, Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1201-02, (Fed.Cir.2002), which relied heavily on the use of dictionaries to ascertain the plain meaning of a claim term. After our *Phillips* decision, which clarified that the *Texas Digital* approach was not appropriate, the plaintiff asked the district court here to reconsider her claim construction, but that request was denied.

Acumed's attorneys were changing their claim construction during the course of the hearing, the district court responded: "Let's not worry about changing. I'm going to keep you all focused right on the task at hand. I don't care what happened before today. I care what's going on here." After hearing arguments from the parties regarding the disputed claim terms and on the appropriateness of the dictionary definitions, the district court resolved each issue orally during the hearing. One week later, the court issued a one-page formal Order on Claim Construction that simply reiterated the court's oral rulings. *Acumed LLC v. Stryker Corp.*, No. 04-cv-513-br (D.Or. Oct. 14, 2004).

While I acknowledge that there are not formal requirements for a district court's methodologies when conducting claim construction hearings and issuing related orders, I raise this concern because I believe the district court's methodology led it astray from determining the "the meaning that the term ["transverse holes"] would have to a person of ordinary skill in the art . . . in the context of the entire patent, including the specification." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed.Cir.2005) (en banc). When one properly begins this claim construction inquiry with the intrinsic evidence, rather than dictionary definitions, it is evident that the district court's construction of "transverse holes" is in error.

With respect to the claim term "transverse holes," the district court utilized the dictionary to first determine that a "hole" is "an opening through something." The district court then referred to the dictionary and found two definitions for the term "transverse": "(1) acting, lying, or being across: set

crosswise; (2) made at right angles to the anterior-posterior axis of the body." The district court concluded that we should construe the claim term in accordance with the broader of the two dictionary definitions [2] because there is no express disavowal of claim scope in the specification. This approach was specifically rejected by this court sitting en banc in *Phillips*, 415 F.3d at 1320, and we have continued to reject this approach to claim construction. *See On Demand Mach. Corp. v. Ingram Indus., Inc.*, 442 F.3d 1331, 1340 (Fed.Cir.2006).

In accordance with *Phillips*, the interpretive inquiry should begin not with a dictionary definition, but with the patent itself, to ascertain what an ordinarily skilled artisan reading the patent would understand the claim term to mean. *Phillips*, 415 F.3d at 1321. The intrinsic evidence provides no support for the broader of the two dictionary definitions set forth above (i.e., that "transverse" means "acting, lying, or being across; set crosswise"), but fully supports the narrower definition (i.e., that "transverse" means "made at right angles to the anterior-posterior axis of the body"). Each of the eight transverse holes described in the specification are specifically described as being perpendicular. *Id.* at col.2 ll.57-59 (describing "a plurality of transverse holes, each of which is defined on a respective axis intersecting the nail axis 22, and *perpendicular* to the portion of the nail axis at the butt portion 14 of the nail"); col.3 ll.1-3 ("transverse hole

2. The court emphasized that the broader definition appeared as the "number one" definition in Webster's dictionary. It should be noted, however, that this order is not indicative of importance or primacy, but merely reflects historical usage. Merriam-Webster's Collegiate Dictionary (11th ed.2003) 19a ("Order of Senses").

44a is oriented . . . *perpendicular* to the nail axis 22"); col.3 ll.9-11 ("the distal holes are . . . *perpendicular* to the butt end portion of the nail axis") (emphases added). The majority suggests that the use of both words "implies a difference between the words 'perpendicular' and 'transverse.' " Maj. Op. at 11. The majority contends that if transverse was meant to be construed as perpendicular, "the patentee would not have needed to clarify that these holes, in addition to being transverse, were perpendicular to the nail axis." *Id.* I disagree. First, the patentee used the two words to clearly specify which of the definitions of transverse applied to his invention; the purpose of using the word "perpendicular" was to *further describe what the inventor meant by the term* "transverse," not to distinguish it as the majority suggests. Second, to say that something is perpendicular also requires mention of a reference plane or line to which the object is located at a right angle. Here, the patent specification limits the discussion of "transverse holes" to holes having an axis perpendicular with respect to the nail axis at the butt portion. '444 patent, col.2 ll.56-59. That was the point of using the word perpendicular in the specification. Thus, by utilizing the word "transverse," the patentee did not need to repeat in the claim that each hole was perpendicular to the nail axis at the butt portion.

The specification describes "three sets of transverse holes." *Id.* at col.2 l.62. With reference to Figures 1 and 2 of the patent, reproduced below, the first set includes four proximal transverse holes (44a-44d), the second set is one intermediate transverse hole (46), and the third set includes three distal transverse holes (48a-48c). Each of these eight holes is then described and shown in the accompanying

figures as being perpendicular to the nail axis 22. *Id.* at col.2 l.56-col.3 l.11. Most importantly, the specification states that "a plurality of transverse holes *each of which is defined* on a respective axis intersecting the nail axis 22, and *perpendicular* to the portion of the nail axis at the butt portion 14 of the nail." *Id.* at col.2 ll.56-59 (emphases added). Thus, the specification limits each of the transverse holes by the common characteristic that each has an axis perpendicular to the nail axis at the butt portion.



There is not a single non-perpendicular, "transverse" hole shown or described in the patent. Construing "transverse" to include something other than perpendicular—in spite of the repeated, narrow usage of that term in the specification—would provide patent coverage that is broader than what the inventor actually invented and disclosed in his specification, which clearly should have been the starting point for claim construction. *Smith v. Snow*, 294 U.S. 1, 14, 55 S.Ct. 279, 79 L.Ed. 721, (1935) (stating "if the claim were fairly susceptible of two constructions, that should be adopted which will secure to the patentee his actual invention"). Since *Phillips*, we have repeatedly rejected the concept of construing claim terms to have meanings broader than the meaning derived from the intrinsic evidence. For example, in *Nystrom v. TREX, Co.* this court stated:

> [i]n the absence of something in the written description and/or prosecution history to provide explicit or implicit notice to the public—i.e., those of ordinary skill in the art—that the inventor intended a disputed term to cover more than the ordinary and customary meaning revealed by the context of the intrinsic record, it is improper to read the term to encompass a broader definition simply because it may be found in a dictionary, treatise, or other extrinsic source.

424 F.3d 1136, 1145 (Fed.Cir.2005); *see also Primos, Inc. v. Hunter's Specialties, Inc.*, 451 F.3d 841, 845, 847-48 (Fed.Cir.2006) (affirming district court's claim construction after district court rejected dictionary definition that was broader and inconsistent with the use of the claim term in the patent at issue); *Old Town Canoe Co. v. Confluence Holdings Corp.*, 448 F.3d 1309, 1318 (Fed.Cir.2006) (patentee is "not entitled to a claim construction divorced from the context of the written description and prosecution history"); *Atofina v. Great Lakes Chem. Corp.*, 441 F.3d 991, 996 (Fed.Cir.2006) (quoting *Free Motion Fitness, Inc. v. Cybex Int'l, Inc.*, 423 F.3d 1343, 1348-49 (Fed.Cir.2005) for the proposition that "in those circumstances where reference to dictionaries is appropriate, the [court's] task is to *scrutinize the intrinsic evidence in order to determine the most appropriate definition*" (emphasis added)); *In re Johnson*, 435 F.3d 1381, 1384 (Fed.Cir.2006) (citing *Phillips*, 415 F.3d at 1303 for the proposition that "[i]t is well established that dictionary definitions must give way to the meaning imparted by the specification"); *Network Commerce, Inc. v. Microsoft Corp.*, 422 F.3d 1353, 1359-60 (Fed.Cir.2005) (rejecting

proposed construction of the term "download component" based on the combination of two dictionary definitions as untenable "in light of the specification").

Patent scope should be coextensive with what the inventor invented as evidenced by what is disclosed in the patent specification. *Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1352 (Fed.Cir.2001) (stating that the claims should not "enlarge what is patented beyond what the inventor has described as the invention"); *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1250 (Fed.Cir.1998) ("The construction that stays true to the claim language and most naturally aligns with the patent's description of the invention will be, in the end, the correct construction."). Thus, where, as here, the intrinsic evidence clearly provides one meaning for the term "transverse," it is inappropriate to give that term a broader interpretation, particularly where the only support for the broader interpretation is extrinsic evidence—in this case, a dictionary (which supports the narrower construction as well).

Moreover, the district court's interpretation of "hole," which neither party is challenging, makes the majority's interpretation of "transverse" redundant and nonsensical. The court found that the word " 'holes' in the phrase 'defining a plurality of at least three transverse holes,' means openings through the butt portion of the nail." *Claim Construction Order*, at 1. This makes sense in the context of orthopedic implants, because a hole is necessarily through the part, which in the case of an intramedullary nail is to accept a screw. Here, the majority's definition of "transverse" as "being across" is redundant when read together with the definition

of holes. It makes the phrase "transverse holes" mean "openings *through across* the butt portion of the nail." The majority's claim construction thus impermissibly renders the claim term "transverse" meaningless, a methodology that this court has repeatedly denounced. *Merck & Co. v. Teva Pharms. USA, Inc.*, 395 F.3d 1364, 1372 (Fed.Cir.2005) ("A claim construction that gives meaning to all the terms of the claim is preferred over one that does not do so."); *see also Bicon, Inc. v. Straumann Co.*, 441 F.3d 945, 950 (Fed.Cir.2006); *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1307 (Fed.Cir.2005). Only if "transverse" requires perpendicularity does each claim term have a distinct meaning.[3]

That "transverse" means perpendicular in direction is further supported by other intrinsic evidence, namely, other patent references cited during prosecution of the '444 patent. For example, U.S. Patent No. 4,475,545, entitled "Bone Nail," discloses a pair of holes "passing through the nail in transverse relation to its longitudinal direction and both axes of the said both pairs of holes being located in different planes extending in transverse direction relative to the longitudinal direction of the nail." '545 patent, Abstract. The first hole is defined by the nail entrance 8' and exit 8. The second distal hole is defined by the nail entrance 9' and exit 9. As shown

---

3. Claim 22, which indirectly depends from independent claim 19, further illustrates this point. Claim 22 recites "a plurality of second securement holes" in the butt portion of the claimed nail. These holes, like the transverse holes in claim 1, are required to go through the butt portion of the nail. But unlike the transverse holes, the securement holes need not be defined by an axis perpendicularly situated with respected to the nail axis at the butt portion.

in Figures 4 and 5, both of these holes are perpendicular to the longitudinal axis of the nail at the distal portion. The hole axes are similarly described as being located in a plane "normally extending relative to the longitudinal axis of the nail." '545 patent, col.3 ll.45-46. Thus, the usage of "transverse" in the '545 patent is consistent with the definition requiring perpendicularity.

The narrower definition of transverse is also more consistent with extrinsic evidence that demonstrates how those skilled in the art would understand the term. First, in another patent application filed within a year of the issue date of the '444 patent, the '444 patent's inventor, Randall Huebner, uses the word "transverse" in a way that clearly denotes perpendicularity in direction. There, as here, Mr. Huebner describes a "transverse hole" extending through a shaft, stating "the head [of the shaft] includes a hole extending therethrough in a direction generally transverse to the axis of the shaft." U.S. Patent No. 5,697,934, col.2 ll.45-46 (filed Dec. 2, 1996); *see also id.* at col.3 l.66-col.4 l.1 (describing another hole as "formed through head 50 with a central axis 54 generally transverse to elongate axis 38 of shaft 32"). Mr. Huebner's use of transverse in that application clearly shows a directional requirement implicit in the term "transverse" that is not encompassed in the broader definition accepted by the majority. Next, although the district court chose to rely exclusively on a general dictionary that was not contemporaneous with the patent, technical dictionaries, including one highly relevant to the field of orthopedic implants at the time the patent issued, define "transverse" as referring to a perpendicular direction. Dorland's Medical Dictionary defines transverse as "placed crosswise; situated

at right angles to the long axis of a part." Dorland's Illustrated Medical Dictionary 1735 (28th ed.1994).

Thus, the intrinsic and extrinsic evidence establish that the '444 patent's use of "transverse" is only consistent with the narrower definition rejected by the district court and the majority opinion. The only passage of the specification which the majority relies upon to support its broader interpretation of "transverse holes" is the language "[t]he predictability of fracture modes makes the orientation of holes in the illustrated embodiment suitable in most cases." The majority suggests that this language "admits that the disclosed perpendicular hole orientation may not always be ideal." Maj. Op. at 12. I respectfully submit that the majority has taken the language out of context and imparted a meaning to it that is not correct. The entire paragraph wherein this sentence is found is discussing Figure 4 and the orientation of the holes relative to each other around the circumference of the nail, not relative to the nail axis at the butt portion 22. That paragraph focuses on the need to orient the screws "to prevent rotation or axial movement of the nail" and discusses that the screws should be located on "opposite sides of the nail." '444 patent, col.4 ll.61-65. Hence, when the very next sentence of the specification refers to the "orientation of the holes," '444 patent, col.4 ll.65-67, it is doing so in the context of their placement around the nail.

Tellingly, the majority opinion offers no other support—intrinsic or extrinsic—for its construction, and in fact, offers no explanation at all for its conclusion that "the claim language covers all 'transverse' holes—a word that does not

necessarily imply right angles."[4] Maj. Op. at 11. What, if not the specification, is the majority using to determine the plain meaning of this term? The district court based its conclusion regarding the plain meaning of transverse on Webster's Dictionary, which it acknowledged supported both the definition across and perpendicular. In the present case, as in *Nystrom*, I see no reason why we should adopt one, broader, plain meaning of the term "transverse" when there is another plain meaning that is completely consistent with the intrinsic evidence. When one begins with the patent specification, in my opinion, there is no doubt which of the two meanings of "transverse" is correct.

The majority attempts to distinguish the *Nystrom* case as a case in which the patentee "sought to have [the] claim [at issue] 'broaden[ed] . . . to encompass relatively obscure definitions that are not supported by the written description or prosecution history.' " Maj. Op. at 14 (quoting *Nystrom*, 424 F.3d at 1145). The majority suggests that in *Nystrom* "[w]e refused to impose a construction broader than the term's ordinary meaning." Maj. Op. at 14. In this case, the Webster's Dictionary which provided the basis for the district court's determination of the term's ordinary meaning included two definitions for the term transverse (across and perpendicular). Even the district court acknowledged both definitions. In this case, we must choose between two plain meanings of the word "transverse." As in *Nystrom*, we should

4. The majority's observation that "[n]owhere in the specification or the prosecution history do the patentees criticize or distinguish tilted, non-perpendicular holes," Maj. Op. at 12, only underscores the absence of a written description broad enough to support the meaning that they attribute to the claim term "transverse."

interpret the claim term by reference to the specification and refuse to read the term "transverse" as encompassing meanings unsupported by even a modicum of intrinsic evidence; otherwise we give the patentee more than what was invented and disclosed to the public.

Even if I did not read the intrinsic record to clearly support the narrower of the two plain and ordinary meanings of the term "transverse," I would still be compelled by our precedent to conclude that the narrower meaning applies to this limitation. In *Athletic Alternatives, Inc. v. Prince Manufacturing, Inc.*, this court was presented with a case in which there were two plain and ordinary meanings of a term. 73 F.3d 1573, 1579 (Fed.Cir.1996). The court was at an impasse after concluding that the specification, the prosecution history and the doctrine of claim differentiation did not provide guidance on what the plain meaning of the claim term at issue was. *Id.* at 1579-81 (concluding that "the specification is completely silent with regard to the meaning" of the claim term; that there were "[t]wo strong and contradictory interpretative strands run[ning] through the patent's prosecution history ... [that] together ... are irreconcilable;" and that after analyzing claim differentiation "we [were] left with two equally plausible meanings of Claim 1"). Faced with such a conundrum, we resorted to the statutory basis for the claims themselves, 35 U.S.C. § 112, ¶ 2, and concluded that

> [w]ere we to allow [the patentee] successfully to assert the broader of the two senses of [the claim term] against Prince, we would undermine the fair notice function of the requirement that the

> patentee distinctly claim the subject matter disclosed in the patent from which he can exclude others temporarily. Where there is an equal choice between a broader and a narrower meaning of a claim, and there is an enabling disclosure that indicates that the applicant is at least entitled to a claim having the narrower meaning, we consider the notice function of the claim to be best served by the narrower meaning.

Id. at 1581.

Even if the specification was completely silent on whether the transverse holes had to be perpendicular to the nail axis at the butt portion of the nail—which, as discussed above, I do not believe it is—we must, according to our precedent, adopt the narrower of the two plain and ordinary meanings of the word "transverse." *Accord Athletic Alternatives*, 73 F.3d at 1581. The majority's rejection of Stryker's claim construction position as "an improper attempt to read a feature of the preferred embodiment into the claims as a limitation," fails to identify any language in the specification that demonstrates that the patentee contemplated anything more than transverse holes that are perpendicular to the nail axis at the butt portion. Thus, even adopting the majority's view of the intrinsic record, I cannot agree with their conclusion.

Based on the foregoing, I conclude that the district court's construction of the term "transverse holes" was improper and should be reversed. The term "transverse holes" in claim 1 of the '444 patent should be interpreted as "openings

through the butt portion of the nail oriented perpendicularly with respect to the longitudinal axis of the butt portion." Because the uncontested evidence shows that the alleged infringing products do not literally infringe claim 1 of the '444 patent as properly construed, a remand on that issue would not be necessary. Acumed could, however, argue that Stryker's T2 PHN products infringe claim 1 of the '444 patent under the doctrine of equivalents.[5] Accordingly, I would reverse the judgment of literal infringement and remand for proceedings with respect to infringement under the doctrine of equivalents.

---

5. Although Stryker argues that Acumed waived the doctrine of equivalents with respect to this claim element because it did not assert that theory at trial under the court's claim construction, that statement is incorrect. *See Exxon Chem. Patents, Inc. v. The Lubrizol Corp.*, 137 F.3d 1475, 1479 (Fed.Cir.1998) (determining that plaintiff did not waive equivalents arguments where the court's claim construction made a doctrine of equivalents argument under any other claim construction "moot").

APPENDIX B — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DENYING PETITION FOR REHEARING FILED JUNE 5, 2007

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellants, and a response thereto having been invited by the court and filed by the Appellee, and the petition for rehearing and response, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on June 12, 2007.

FOR THE COURT,

s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: 06/05/2007

APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT FILED MARCH 16, 2006

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2006-1260

ACUMED LLC,

Plaintiff-Appellee,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, HOWMEDICA OSTEONICS CORPORATION, and STRYKER ORTHOPAEDICS,

Defendants-Appellants.

ON MOTION

Before MICHEL, *Chief Judge*, LOURIE and GAJARSA, *Circuit Judges.*

LOURIE, *Circuit Judge.*

ORDER

Stryker Corporation et al. (Stryker) move for a stay, pending appeal, of the permanent injunction entered by the United States District Court for the District of Oregon on February 23, 2006. Acumed, LLC (Acumed) oppose.

Appendix C

Acumed sued Stryker for infringement of its patent relating to a humeral nail for fixing humeral fractures. A jury found infringement and the district court enjoined Stryker from, inter alia, selling several models of its T2 Proximal Humeral Nail. Stryker moves for a stay of the injunction pending appeal.

In deciding whether to grant a stay or injunction, pending appeal, this court "assesses the movant's chances of success on the merits and weighs the equities as they affect the parties and the public." *E. I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 835 F.2d 277, 278 (Fed. Cir. 1987). *See also Standard Havens Prods. v. Gencor Indus.*, 897 F.2d 511 (Fed. Cir. 1990). To prevail, a movant must establish a strong likelihood of success on the merits or, failing that, nonetheless demonstrate a substantial case on the merits provided that the harm factors militate in its favor. *Hilton v. Braunskill*, 481 U.S. 770, 778 (1987). The harm factors are (1) whether the applicant will be irreparably harmed absent a stay, (2) whether issuance of a stay will substantially injure the other parties interested in the proceeding, and (3) where the public interest lies. *Standard Havens*, 897 F.2d at 512.

Stryker argues that the district court likely erred in its claim construction and that the harm factors tip strongly in its favor, particularly the public interest. Stryker attaches declarations from a number of doctors who state that when treating patients with nail implants, they generally prefer Stryker's T2 humeral nail products and that it would be in the best interest of their patients to have continued access to the products. With respect to harm to Acumed, Stryker points out that Acumed has licensed other competitors and thus

shown that it is not maintaining exclusive rights to itself in the marketplace. Stryker states that it is willing during the pendency of the appeal to deposit quarterly in an escrow account an amount of $455.66 per unit as determined by the jury as damages for past infringement, multiplied by the quantity of T2 proximal humeral nails sold during that quarter.

All the stay factors are important in determining whether to grant or deny a motion for a stay, pending appeal. However, the public interest is sometimes a particularly important factor when the products involved in a patent suit are medical devices or methods. Because this is such a case and the other stay factors tip in Stryker's favor, we grant Stryker's motion for a stay conditioned on its offer to deposit funds in an escrow account.

Accordingly,

IT IS ORDERED THAT:

(1) Stryker's motion for a stay, pending appeal, is granted.

(2) Stryker is directed to deposit into an escrow account, set up through the district court, the amount as discussed above.

MARCH 16, 2006
Date

FOR THE COURT

s/ Alan D. Lourie
Alan D. Lourie
Circuit Judge

APPENDIX D — JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED APRIL 20, 2006

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

Case No. 04-CV-513-BR

Judge Anna J. Brown

ACUMED LLC,

Plaintiff,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORPORATION,

Defendants.

JUDGMENT

This case having been tried and a verdict having been returned in favor of plaintiff, Acumed LLC, on September 20, 2005 finding that defendants, Stryker Corporation, Stryker Sales Corporation, Stryker Orthopaedics and Howmedica Osteonics Corporation (collectively "Stryker"), did not prove that any of the asserted claims are invalid because of indefiniteness, anticipation and obviousness. In addition, the jury found that Acumed proved that Stryker's T2 Proximal Humeral Nail infringed claims 1, 3-5, 10, 11,

14-17 of United States Patent No. 5,472,444. The jury also returned a verdict against Stryker finding that its infringement was willful. To compensate Acumed for the infringement, the jury found that Acumed is entitled to lost profits on 60% of Stryker's sales for a total of $419,683.00 and a reasonable royalty rate of 14% for certain of Stryker's sales for a total of $39,170.00.

IT IS HEREBY ORDERED, that judgment be entered as follows:

Acumed LLC is awarded enhanced damages of fifty-percent of the total amount of damages awarded by the jury for the reasons set forth in the Court's Opinion and Order dated April 17, 2006. The jury awarded Acumed $458,853.00 and, therefore, the total enhanced award is $688,280.00. In addition, Acumed is awarded prejudgment interest in the amount of $20,517.00 (through April 17, 2006). Said prejudgment interest will be paid in addition to the $688,280.00 already awarded.

Hence, final judgment on the jury verdict shall be entered in favor of Acumed LLC, and against Stryker Corporation, Stryker Sales Corporation, Stryker Orthopaedics and Howmedica Osteonics Corporation, in the amount of $708,797.00.

DATED: 4/20/06

ENTERED:

s/ Anna J. Brown
Honorable Anna J. Brown
United States District Judge

APPENDIX E — ORDER ON CLAIM CONSTRUCTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED OCTOBER 14, 2004

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

Case No. 04-CV-513-BR

ACUMED LLC,

Plaintiff,

v.

STRYKER CORPORATION and
STRYKER SALES CORPORATION,

Defendants.

ORDER ON CLAIM CONSTRUCTION

This matter coming before the Court for a *Markman* hearing on October 7, 2004 on the disputed terms of U.S. Patent No. 5,472,444, it is hereby ORDERED, for the reasons expressed by the Court during the hearing, that the disputed claim terms are construed as follows:

1. The "shank" is the portion of the rod or nail extending from the butt of the nail.

2. A "curved shank" is a shank that has a bend or deviation from a straight line without sharp corners or sharp angles.

Appendix E

3. "Holes" (in the phrase "defining a plurality of at least three 'transverse holes'") means openings through the butt portion of the nail. "Transverse" in the same phrase means "being across" or "set crosswise." "Transverse holes," therefore, means holes across the butt portion of the nail.

4. In the phrase "with the three hole axes angularly offset from each other," the term "angularly offset from each other" means the axes of the three holes are spaced apart from each other, an angle is formed by the axes of any two such holes when viewed in two dimensions from the butt end or from the side, and the axes are not aligned in a parallel orientation.

Dated:

14 October, 2004

ENTERED:

s/ Anna J. Brown
Honorable Anna J. Brown

APPENDIX F — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED AUGUST 8, 2005

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

CV 04-0513-BR

ACUMED LLC, a Delaware limited liability company,

Plaintiff,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORP.,

Defendants.

ORDER

BROWN, Judge.

This matter comes before the Court on Defendants' Motion for Reconsideration of Order on Claim Construction (#95). Defendants argue the Federal Circuit's recent decision in *Phillips v. AWH Corp.*, Nos. 03-1269, 03-1286, 2005 WL 1620331 (Fed. Cir. Jul. 12, 2005), requires the Court to reconsider its claim construction rulings in this action.

For the reasons that follow, the Court **DENIES** Defendants' Motion.

Appendix F

In *Phillips*, the Federal Circuit affirmed the claim construction methodology previously set forth in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), and *Vitronics v. Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996), and clarified the proper use of dictionaries in claim construction. The *Phillips* court stated:

> The underlying goal of our decision in *Vitronics* was to increase the likelihood that a court will comprehend how a person of ordinary skill in the art would understand the claim terms. In that process, we recognized that there is no magic formula or catechism for conducting claim construction. Nor is the court barred from considering any particular sources or required to analyze sources in any specific sequence, as long as those sources are not used to contradict claim meaning that is unambiguous in light of the intrinsic evidence.

2005 WL 1620331, at *16.

The *Phillips* court reiterated the importance of the intrinsic record in the claim construction process and cautioned trial courts not to elevate extrinsic sources, especially dictionaries, above unambiguous specification language. *Id.*, at *13-14. The court rejected the methodology set forth in *Texas Digital v. Systems, Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1201-02 (Fed. Cir. 2002), because it improperly restricted the role of the patent specification in claim construction.

Appendix F

Defendants contend the Court's claim construction in this case must be reconsidered in light of *Phillips* because "the Court relied heavily on dictionary definitions . . . [and] did not give appropriate weight to the context in which those terms were used throughout the patent specification."

This Court, however, followed the methodology of *Vitronics* when it construed the disputed claim terms in this matter. Although the Court utilized a dictionary in the claim construction process, it did not elevate the dictionary meanings over unambiguous patent specification language. The Court carefully examined the patent specification at every step of the claim construction and used a dictionary to help clarify ambiguous terms.

Accordingly, the Court concludes *Phillips* does not require the Court to reconsider its claim construction rulings in this matter, and the Court, therefore, **DENIES** Defendants' Motion for Reconsideration of Order on Claim Construction (#95).

IT IS SO ORDERED.

DATED this 8th day of August, 2005.

/s/ Anna J. Brown
ANNA J. BROWN
United States District Judge

APPENDIX G — JURY VERDICT DATED SEPTEMBER 20, 2005

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON

Case No. 04-CV-513-BR

ACUMED LLC,

Plaintiff,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORP.,

Defendants.

VERDICT

We, the jury, unanimously answer these Verdict Questions as follows:

1. AS TO DEFENDANTS' BURDEN TO PROVE INVALIDITY BASED ON INDEFINITENESS:

Do you find Defendants have proved by clear and convincing evidence that Claim 1 of the '444 patent is invalid as indefinite?

Yes ____ No ✓

Proceed to Question 2.

Appendix G

2. AS TO DEFENDANTS' BURDEN TO PROVE INVALIDITY BASED ON ANTICIPATION:

2A. Do you find Defendants have proved by clear and convincing evidence that Claim 1 of the '444 patent is invalid as anticipated by the Alta Humeral/Tibial Nail with Locking Tab?

	Yes, Proven Invalid	No, Not Proven Invalid
Claim 1	_____	✓

If you answer "no," proceed to Question 3.

* * *

3. AS TO DEFENDANTS' BURDEN TO PROVE INVALIDITY BASED ON OBVIOUSNESS:

3A. Do you find Defendants have proved by clear and convincing evidence that Claim 1 of the '444 patent is invalid as obvious in view of (1) the Alta Humeral/Tibial Nail with Locking Tab alone or in combination with either or both the Biomet Uniflex or the Greene U.S. Patent No. 5,248,313; or (2) the Biomet Uniflex and the Greene U.S. Patent No. 5,248,313 combined?

	Yes, Proven Invalid	No, Not Proven Invalid
Claim 1	_____	✓

* * *

Appendix G

4. AS TO PLAINTIFF'S BURDEN TO PROVE INFRINGEMENT:

4A. Do you find Plaintiff has proved by a preponderance of the evidence that Defendants have infringed Claim 1 of the '444 patent?

	Yes - Proven Infringed	No - Not Proven Infringed
Claim 1	✓	

If you answer "no," then your verdict is for Defendants. Do not answer any further questions. Your Presiding Juror should sign and date the Verdict.

If you answer "yes," proceed to Question 4B.

4B. Do you also find Plaintiff has proved by a preponderance of the evidence that Defendants have infringed any of the following additional claims? Please answer as to each claim.

	Yes, Proven Infringed	No, Not Proven Infringed
Claim 3	✓	
Claim 4	✓	
Claim 5	✓	
Claim 10	✓	

Appendix G

Claim 11	✓	
Claim 14	✓	
Claim 15	✓	
Claim 16	✓	
Claim 17	✓	

Proceed to Question 5.

5. AS TO PLAINTIFF'S BURDEN TO PROVE WILLFULNESS:

If you found infringement of any claim of the `444 patent, do you find that Plaintiff has proved by clear and convincing evidence that Defendants' infringement of such claim(s) was willful?

Yes ✓ No _____

Proceed to Question 6.

Appendix G

6. AS TO PLAINTIFF'S BURDEN TO PROVE DAMAGES:

Has Plaintiff proved by a preponderance of the evidence that it is entitled to lost profits damages? If so, what portion of Defendants' sales has Plaintiff proved that it would have made?

_✓_ Yes, Plaintiff has proved that it is entitled to lost profits on 60% of Defendants' sales.

If you answer "yes," what are Plaintiff's lost profits damages?

$419,683.00

____ No, Plaintiff has not proved entitlement to lost profits.

Proceed to Question 7.

7. Plaintiff has proved by a preponderance of the evidence that it is entitled to a reasonable royalty rate of 14% from which we find $39,170.00 reasonable royalty damages.

Once you have answered unanimously all required questions, your Presiding Juror should sign and date this Verdict.

Dated this 20 day of September, 2005.

s/ Elisabeth Nelson
Presiding Juror

APPENDIX H — OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED APRIL 17, 2006

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

No. 04-CV-0513-BR

ACUMED LLC, a Delaware limited liability company,

Plaintiff,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORP.,

Defendants.

OPINION AND ORDER

BROWN, Judge.

This matter comes before the Court on Plaintiff Acumed LLC's Motion for Treble Damages and Prejudgment Interest Pursuant to 28 U.S.C. § 284 (#163).

For the reasons that follow, the Court **GRANTS in part** and **DENIES in part** Acumed's Motion and awards Acumed a fifty-percent enhancement of damages determined by the jury for a total award of $688,280. The Court also awards Acumed prejudgment interest in the amount of $20,517.

Appendix H

PROCEDURAL BACKGROUND

In April 2004, Acumed brought this action against Defendants for infringement of United States Patent No. 5,472,444 ('444 Patent). The '444 Patent describes a humeral nail used for the treatment of bone fractures, specifically for the fixation of fractures of the proximal humeral cortex. Acumed manufactures and sells patented humeral nails under the names Polarus and Polarus Plus. Acumed alleged Defendants infringed the '444 Patent by manufacturing, using, selling, importing, and offering for sale their T2 Proximal Humeral Nail.

The case was tried to a jury on September 13-20, 2005. On September 20, 2005, the jury found in favor of Acumed. In response to special verdict questions, the jury found the '444 Patent was valid and that Defendants willfully infringed Claims 1, 3-5, 10, 11, and 14-17 of the '444 Patent. The jury awarded Acumed damages in the form of lost profits in the amount of $419,683.00 and a reasonable royalty in the amount of $39,170.00.

On February 22, 2006, the Court heard oral argument on the following four post-trial motions:

1. Acumed's Motion for Permanent Injunction (#161);

2. Defendants' Motion for Stay of Injunctive Relief Pending Appeal (#172);

3. Defendants' Motion for JMOL or a New Trial on the Issues of Infringement, Willfulness, and Lost Profits (#174); and

4. Acumed's Motion for Treble Damages and Prejudgment Interest Pursuant to 28 U.S.C. § 284.

At the hearing, the Court resolved the first three Motions on the record. Accordingly, this Opinion and Order addresses only Acumed's Motion for Treble Damages.

STANDARDS

In a patent action, the court may "increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284. Enhanced damages are punitive rather than compensatory. *SRI Int'l, Inc. v. Advanced Tech. Lab., Inc.*, 127 F.3d 1462, 1464 (Fed.Cir.1997). When willful infringement has been found, "the enhancement of damages and the amount thereof remains within the discretion of the court." *Id.* at 1468-69.

> The principal considerations in enhancement of damages are the same as those of the willfulness determination, but in greater nuance as may affect the degree of enhancement. Thus egregiousness of the infringer's conduct may receive greater emphasis, as may any mitigating factors. All aspects relevant to a particular case should be given the weight appropriate to their substance. A broad range of discretion is reposed in the trial court, founded on this need to weigh and balance multiple factors in determining a just remedy.

Id. at 1469.

A finding of willful infringement, however, does not mandate enhancement of damages. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed.Cir.1992). The paramount consideration when deciding whether to grant enhancement "is the egregiousness of the defendant's conduct based on all the facts and circumstances." *Id.*

Courts may consider various factors when deciding whether to enhance damages, including the following:

1. whether the infringer deliberately copied the ideas or design of another,

2. whether the infringer investigated the scope of the patent and formed a good-faith belief that it was invalid or not infringed,

3. the infringer's behavior as a party to the litigation,

4. the infringer's size and financial condition,

5. the closeness of the case,

6. the duration of the defendant's misconduct,

7. any remedial action taken by the defendant,

8. the defendant's motivation for harm, and

9. whether the defendant attempted to conceal its conduct.

Read, 970 F.2d at 827.

Appendix H

DISCUSSION

A. Enhancement of Damages

As noted, after a five-day trial, the jury concluded Defendants willfully infringed the '444 Patent when they marketed and sold the T2 nail. The jury awarded Acumed damages for lost profits and a reasonable royalty. Acumed now argues the Court should treble the jury's damages award due to Defendants' egregious conduct.

The Court has considered the evidence in the record and the parties' written and oral arguments as to the application of the factors set forth in *Read* and finds the following:

1. Defendants' Deliberate Copying

Defendants do not deny they set out to develop a device similar to the Polarus in order to achieve the same purpose as the Polarus; namely, the fixation of proximal humeral fractures. In their early planning for a proximal humeral nail device, Defendants considered two different designs: a curved-nail design based on the Polarus nail and a straight-nail design based on the Aesculap nail. Defendants' nail design, like the Polarus, specified a precise length of 150 millimeters. There was not another device on the market with that precise dimension. Defendants ultimately decided to proceed with the curved-nail design.

Appendix H

In its patent application for the T2 nail, Defendants state they learned about its design features by means of the '444 Patent. In their application, Defendants state:

> This invention is related ... to a humeral nail having a plurality of holes being angularly offset, both in a plane perpendicular to the nail axis and at an angle to that plane. . . . A humeral nail of the described type has become known from U.S. Patent No. 5,472,444.

In addition, in their 510(k) application to the Food and Drug Administration for approval of the T2 nail, Defendants referenced the Polarus nail. Acumed also presented evidence at trial that Joseph DiCicco, a Stryker employee, "confiscated" an otherwise confidential Polarus operating-room chart from a hospital. The chart described how to use the Polarus nail.

On this record, the Court finds there is sufficient evidence to establish that Defendants deliberately copied the Polarus nail. This factor, therefore, weighs in favor of enhancement of Acumed's damages.

2. Defendants' Investigation and Good-Faith Belief that They Did Not Infringe the '444 Patent

Defendants received warnings from two different lawyers that the "curved-shank" design would infringe the '444 Patent. In a letter dated November 14, 2002, Edo Graalfs, Stryker's German patent attorney, asked Raymond Augustin, Stryker's United States patent attorney, to "find out whether

. . . it might be possible to find a structure for a nail not covered by" the '444 Patent. On December 13, 2002, Augustin wrote a "memo to file" in which he states the proposed design of the T2 nail would infringe the '444 Patent and should not be marketed in the United States.

In spite of these two initial warnings, Defendants proceeded with the curved-nail design for "business reasons." Those business reasons included specific goals to "attack" Acumed, to target existing Polarus accounts, and to "take 75% of the Acumed business by the end of the first year in the market."

On November 19, 2003, however, Augustin issued a formal, written opinion in which he concluded the T2 nail did not infringe the '444 Patent because the T2 nail does not have a "curved shank" and, even if a court should find the T2 had a curved shank, the '444 Patent was likely to be invalid as anticipated by the "Alta with Locking Tab" device. Acumed argued at trial that Augustin's opinion was obtained by Defendants only to justify their planned infringement of the '444 Patent and the opinion did not provide a reasonable basis for Defendants to believe the T2 did not infringe.

To reach the conclusion that Defendants' infringement was willful, the jury was required to find by clear and convincing evidence that Defendants acted in disregard of the '444 Patent and lacked a reasonable basis to believe they had a right to market the T2 nail. *See Amstead Indus. v. Buckeye Steel Casing*, 24 F.3d 178, 181 (Fed.Cir.1994). Even after hearing evidence about Augustin's second opinion, the jury found Defendants' infringement was willful. Thus, the

jury implicitly rejected Defendants' arguments that they had a good-faith belief the patent was not infringed or, in any event, that the patent was invalid. The Court, nonetheless, does not conclude from this record that Defendants egregiously ignored an objectively unreliable legal opinion. The Court, therefore, finds this factor standing alone does not warrant enhancement of Acumed's damages.

3. Defendants' Litigation Conduct

Acumed contends Defendants' conduct during both the pretrial phase of the case and the trial warrants an enhancement of damages. Specifically, Acumed asserts deposition conduct by Defendants' counsel, Defendants' repeated motions for reconsideration, their written discovery responses, and their trial conduct were egregious.

A. Conduct during Depositions

During several depositions, Gregory Vogler, Defendants' attorney, repeatedly interrupted Acumed's lawyer and told him that he was asking "stupid questions," called Acumed's attorney a "rookie lawyer," and told him at one point to "go talk to your senior lawyer that knows how to take a deposition and he might help you." Although Vogler apologizes and acknowledges responsibility in response to Acumed's Motion for Treble Damages, Defendants also assert Vogler's inappropriate comments "were made during an arduous week of depositions" and these isolated comments did not rise to a level of misconduct sufficient to support enhanced damages in the context of the massive number of deposition questions asked by Acumed.

As the Court noted at oral argument, Vogler's conduct as reflected in the deposition transcripts was unacceptable, unprofessional, and completely inexcusable. The Court condemns the conduct of Stryker's counsel but concludes such conduct standing alone does not warrant enhancement of damages.

B. Conduct During Discovery

Acumed argues Defendants denied nearly all of Acumed's Second Set of Requests for Admission without a good-faith basis to do so and failed to supplement their discovery responses to disclose Defendants' launch of the T2 Long nail. The Court, however, is not persuaded Defendants engaged in discovery misconduct to a degree that warrants enhancement of damages.

C. Motions for Reconsideration and Conduct During Trial

Acumed asserts Defendants' two motions for reconsideration are evidence of litigation misconduct that supports enhanced damages. Acumed also argues Defendants continued to make the same claim construction arguments during trial that the Court rejected in its claim-construction rulings to the degree that Defendants effectively ignored the Court's rulings. In addition, Acumed argues Defendants' witnesses were impeached at trial with their prior sworn testimony "an extraordinary number of times." Acumed also asserts Peter Prager, Stryker's Director of Product Development, testified falsely on a number of points, including his statements that Stryker's repeated references

to the T2 as "curved" were a mistake and his testimony that any similarities between the T2 and the Polarus were "sheer coincidence."

The Court finds Defendants' conduct constituted stubborn and unsuccessful advocacy of Defendants' theories of the case at worst and, therefore, does not warrant enhancement standing alone.

In summary, the Court is not persuaded the record establishes that Defendants' conduct during this litigation was in bad faith or otherwise sufficiently egregious to warrant enhancement of damages.

4. Defendants' Size and Financial Condition

Stryker is the largest orthopaedic implant company in the world with 2004 sales in excess of $4 billion. Acumed contends Stryker's size and profits allowed Defendants to "roll the dice" in this litigation with impunity and in the hope that Acumed would be forced to give up. Acumed argues trebling of damages is appropriate when a "market behemoth" such as Stryker engages in willful infringement.

The Court agrees Stryker's size and financial condition made it possible for Defendants to pursue this litigation with particular agression. In addition, enhancing Acumed's damages would not be an undue hardship to Defendants. Accordingly, the Court concludes this factor weighs slightly in favor of enhancement of damages.

Appendix H

5. Closeness of the Case

The Court finds the issues of infringement and willfulness presented classic jury questions. The evidence did not overwhelmingly favor either side, and the jury could have rejected Acumed's claims. In other words, this was a close case on many issues, including the willfullness of Defendants' infringement.

Accordingly, the Court finds enhancement of damages based on this factor would result in punishing Defendants for going to trial and seeking to provie legitimate defenses. The Court concludes, therefore, this factor weighs against enhancement of damages.

6. Duration of Defendants' Misconduct

Acumed argues Defendants' misconduct started in early 2002 when their attempt to buy Acumed was rebuffed, and their misconduct continued even after the verdict. Acumed, however, brought this action shortly after Defendants first marketed the T2 nail. Defendants launched the T2 nail in early 2004 and Acumed filed this action in April 2004. The case came to trial without undue delay. Defendants' infringement, therefore, did not continue for an excessive length of time.

Accordingly, the Court concludes this factor does not weigh in favor of enhancement of damages.

Appendix H

7. Remedial Action by Defendants

Acumed argues enhancement of damages is warranted because Defendants did not immediately remove the T2 nail from the market after the jury's verdict in September 2005. Defendants, however, have disputed the jury's findings and filed timely post-trial motions to contest the verdict. Due to the numerous post-trial motions, the Court did not enter an injunction until February 23, 2006. Moreover, the Federal Circuit now has stayed the injunction pending Defendants' appeal.

The Court concludes Defendants' actions in vigorously pursuing its right to contest the verdict do not support enhancement of damages.

8. Defendants' Motivation for Harm

There is evidence in the record from which a rational juror could conclude Defendants set out on a deliberate course to eliminate their competition after Defendants were unable to buy Acumed outright. This evidence includes statements by Stryker that it planned to "attack competitors," to "eliminate the Polarus," and to "target existing Polarus accounts." In addition, Acumed argues Rosemary Buckle, M.D., an orthopaedic surgeon and Stryker's medical consultant, deliberately decided not to use the Polarus cap screw to prevent screw back-out because she wanted to bolster the evidence that the Polarus nail had problems and, thereby, to create a demand for the T2 nail. Acumed essentially accuses Dr. Buckle of jeopardizing the health of her patients in order to prove the Polarus had problems.

The Court finds the record does not support this accusation, and, therefore, the Court does not consider this argument in reaching its conclusion. The Court, however, concludes the evidence of Defendants' apparent goal of eliminating Acumed in combination with Defendants' size and financial condition relative to Acumed weighs in favor of enhancement of damages.

9. Defendants' Concealment of Their Infringement

Acumed argues Defendants attempted to conceal their infringement by failing to supplement their discovery responses regarding Stryker's launch of the T2 Long nail and by asserting various positions at trial. The Court, however, does not find Acumed's arguments persuasive. Acumed made a tactical decision early in this case not to include any claims based on the T2 Long nail. Moreover, the record does not establish Defendants took any extraordinary steps to conceal their infringement of the '444 Patent. The Court, therefore, finds this factor does not weigh in favor of enhancement.

In summary, the Court is persuaded that factors 1, 4, 5, and 8, together with the jury's finding of willfulness in this factually contested case, support a fifty-percent enhancement of Acumed's damages. Although Defendants' infringement was willful, the Court finds their conduct was not so egregious as to warrant trebling of the damages. The jury awarded Acumed $458,853. The total enhanced award, therefore, is $688,280.

Appendix H

B. Prejudgment Interest

Acumed also asks the Court to award prejudgment interest on the jury's damages award. Defendants do not oppose this request.

Prejudgment interest ordinarily is awarded to ensure that damages are adequate to compensate the patentee for infringement. *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1564 (Fed.Cir.1983). The court has "wide latitude in the selection of interest rates ... and may award interest at or above the prime rate." *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 939 F.2d 1540, 1545 (Fed.Cir.1991) (citations omitted). Prejudgment interest is awarded only on the actual-damage award and not on the enhanced portion. *Underwater Devices, Inc. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380, 1389 (Fed.Cir.1983).

The Court finds, and the parties agree, Acumed is entitled to prejudgment interest from September 20, 2005, through the date of judgment at the United States Treasury Bond rate.

Accordingly, prejudgment interest through April 17, 2006, equals $20,517.

Appendix H

CONCLUSION

For these reasons, the Court GRANTS in part and DENIES in part Acumed's Motion for Treble Damages and Prejudgment Interest Pursuant to 28 U.S.C. § 284 (#163). The Court awards Acumed a fifty-percent enhancement of the damages determined by the jury for a total of $688,280. In addition, the Court awards Acumed prejudgment interest in the amount of $20,517.

The Court directs Acumed's counsel to submit an appropriate form of judgment.

IT IS SO ORDERED.

DATED this 17th day of April, 2006.

/s/ Anna J. Brown
ANNA J. BROWN
Untied States District Judge

APPENDIX I — OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED SEPTEMBER 12, 2006

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON

04-CV-0513-BR

ACUMED LLC, a Delaware limited liability company,

Plaintiff,

v.

STRYKER CORPORATION, Stryker Sales Corporation, Stryker Orthopaedics, and Howmedica Osteonics Corp.,

Defendants.

OPINION AND ORDER

BROWN, J.

This matter comes before the Court on Plaintiff Acumed LLC's Petition for Attorneys' Fees (# 203) and Request for Costs (# 202).

For the reasons that follow, the Court **DENIES** Plaintiff's Petition for Attorneys' Fees, but awards **costs** to Plaintiff in the amount of **$30,953.10**.

Appendix I

PROCEDURAL BACKGROUND

In April 2004, Plaintiff brought this action against Defendants for infringement of United States Patent No. 5,472,444 ('444 Patent). The '444 Patent describes a humeral nail used for the treatment of bone fractures, specifically for the fixation of fractures of the proximal humeral cortex. Plaintiff manufactures and sells patented humeral nails under the names Polarus and Polarus Plus. Plaintiff alleged Defendants infringed the '444 Patent by manufacturing, using, selling, importing, and offering for sale their T2 Proximal Humeral Nail.

The case was tried to a jury on September 13-20, 2005. On September 20, 2005, the jury found in favor of Plaintiff. In response to special verdict questions, the jury found *the* '444 Patent was valid and that Defendants willfully infringed Claims 1, 3-5, 10, 11, and 14-17 of the '444 Patent. The jury awarded Plaintiff damages in the form of lost profits in the amount of $419,683.00 and a reasonable royalty in the amount of $39,170.00.

On February 22, 2006, the Court heard oral argument on, among other things, Plaintiff's Motion for Treble Damages and Prejudgment Interest Pursuant to 28 U.S.C. § 284. On April 17, 2006, the Court issued an Opinion and Order in which it granted in part and denied in part Plaintiff's Motion. The Court declined to award Plaintiff treble damages, but it awarded Plaintiff a fifty-percent enhancement of the damages awarded by the jury.

Appendix I

On May 2, 2006, Plaintiff filed a Petition for Attorneys' Fees requesting $991,005.00 in attorneys' fees pursuant to 35 U.S.C. § 285. Defendants objected to these fees for a number of reasons. The Court granted Plaintiff's request to file a Reply and provided Defendants with an opportunity to file a Surresponse.

PLAINTIFF'S PETITION FOR ATTORNEYS' FEES

Standards

35 U.S.C. § 285 provides: "The court in exceptional cases may award reasonable attorney fees to the prevailing party" in a patent case. "The determination of whether a case is exceptional and, thus, eligible for an award of attorney fees under § 285 is a two-step process." *Cybor Corp. v. FAS Tech., Inc.*, 138 F.3d 1448, 1460 (Fed.Cir.1998) (citation omitted). The court first must determine whether a case is exceptional, which is "a factual determination" reviewed by the Federal Circuit for clear error. *Id.* (citation omitted). If the court determines a case is exceptional, the court "must determine whether attorney fees are appropriate, a determination that [the Federal Circuit would] review for an abuse of discretion." *Id.* (citation omitted). A district court abuses its discretion if "its decision is based on clearly erroneous findings of fact, is based on erroneous interpretations of the law, or is clearly unreasonable, arbitrary or fanciful." *Id.* (citation omitted).

"Findings of exceptional case have been based on a variety of factors; for example, willful or intentional infringement, inequitable conduct before the Patent and

Appendix 1

Trademark Office, vexatious or unjustified litigation, or other misfeasant behavior." *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1481-82 (Fed.Cir.1998). If a court declines to award the prevailing party its attorneys' fees, the court must explain why the case is not exceptional within the meaning of § 285. *Modine Mfg. Co. v. Allen Group, Inc.*, 971 F.2d 538, 543 (Fed.Cir.1990)

Discussion

Plaintiff argues the Court should find this case is "exceptional" and should award attorneys' fees on the ground that the jury found Defendants willfully infringed the '444 Patent. In addition, the Court, in its Opinion and Order allowing Plaintiff enhanced damages, concluded Defendants deliberately copied Plaintiff's device and that a rational juror could conclude Defendants "set out on a deliberate course to eliminate their competition" (*i.e.*, Plaintiff). Defendants, on the other hand, contend this case is not "exceptional," and, therefore, the Court should not award attorneys' fees to Plaintiff.

"A finding of willful infringement does not require a finding that a case is exceptional." *Cybor*, 138 F.3d at 1461.

> Allowance of fees only in exceptional cases is based on the premise that courts should attempt to strike a balance between the interest of the patentee in protecting his statutory rights and the interest of the public in confining such rights to their legal limits.

S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc., 781 F.2d 198, 200 (Fed.Cir.1986)(quoting *Mach. Corp. of Am. v. Gullfiber AB*, 774 F.2d 467, 471 (Fed.Cir.1985)).

In addition, "[e]ven an exceptional case does not require in all circumstances the award of attorney fees." *Id.* at 201. *See also Nat'l Preston Indus., Inc. v. West Bend Co.*, 76 F.3d 1185, 1197 (Fed.Cir.1996) ("the award of attorney fees [on a finding of willful infringement] is not automatic, even for the extraordinary case."). "The trial judge's discretion in the award of attorney fees permits the judge to weigh intangible as well as tangible factors: the degree of culpability of the infringer, the closeness of the question, [or] ligation behavior." *Nat'l Preston Indus.*, 76 F.3d at 1197.

Here the jury found Defendants' infringement was willful, and, in addition, the Court concluded Defendants deliberately copied Plaintiff's device and that a rational juror could conclude Defendants "set out on a deliberate course to eliminate their competition." Accordingly, the Court concludes this is an "exceptional" case within the meaning of § 285.

In the exercise of its discretion, however, the Court, also concludes an award of attorneys' fees is not appropriate even if this is an exceptional case. Although the Court awarded Plaintiff enhanced damages under 35 U.S.C. § 284, the Court's evaluation under § 285 differs from its analysis under § 284; *i.e.*, the Court may reach different conclusions on the issues of enhanced damages and attorneys' fees. *See S.C. Johnson*, 781 F.2d at 201-02.

Appendix I

As the Court concluded in its decision on enhanced damages:

> [T]he issues of infringement and willfulness [in this case] presented classic jury questions. The evidence did not overwhelmingly favor either side, and the jury could have rejected Acumed's claims. In other words, this was a close case on many issues, including the willfulness of Defendants' infringement.
>
> Accordingly, the Court finds enhancement of damages based on this factor would result in punishing Defendants for going to trial and seeking to prove legitimate defenses. The Court concludes, therefore, this factor weighs against enhancement of damages.

When "the evidence of willful infringement is 'sufficient but weak,' a court may be justified in not awarding attorney fees." *Atmel Corp. v. Silicon Storage Tech., Inc.*, 202 F.Supp.2d 1096, 1108 (N.D.Cal.2002)(citing *Cybor*, 138 F.3d at 1460).

Here the issue of willfulness was a close one. In addition, the Court was not persuaded Defendants' conduct during litigation was in bad faith, and the Court remains unpersuaded that Defendants' conduct during litigation was sufficiently egregious to warrant an award of attorneys' fees. Defendants in this matter may have been stubborn and unsuccessful, but, considering the totality of the circumstances and in the exercise of its discretion, the Court concludes attorneys' fees are not appropriate in this case. Accordingly, the Court denies Plaintiff's Petition for Attorneys' Fees.

Appendix I

PLAINTIFF'S PETITION FOR COSTS

Standards

Absent a showing of circumstances not relevant here, an award of costs generally is governed by federal law. *See In re Merrill Lynch Relocation Mgt., Inc.*, 812 F.2d 1116, 1120 n.2 (9 Cir.1987)(dictum). Accordingly, the Court finds federal law governs the award of costs in this case.

28 U.S.C. § 1920 allows a federal court to tax specific items as costs against a losing party pursuant to Federal Rule of Civil Procedure 54(d)(1). Section 1920 provides:

> A judge or clerk of any court of the United States may tax as costs the following:
>
> (1) Fees of the clerk and marshal;
>
> (2) Fees of the court reporter for all or any part of the stenographic transcript necessarily obtained for use in the case;
>
> (3) Fees and disbursements for printing and witnesses;
>
> (4) Fees for exemplification and copies of papers necessarily obtained for use in the case;
>
> (5) Docket fees under section 1923 of this title;

> (6) Compensation for court-appointed experts, compensation of interpreters, and salaries, fees, expenses, and costs of special interpretation services under § 1828 of this title.
>
> A bill of costs shall be filed in the case and, upon allowance, included in the judgment or decree.

The court has broad discretion to allow or to disallow a prevailing party to recoup costs of litigation. The court, however, may not tax costs beyond those authorized by § 1920. *Frederick v. City of Portland,* 162 F.R.D. 139, 142 (D.Or.1995).

Discussion

Plaintiff seeks costs in the amount of $55,456.19 for items such as copying costs, deposition transcripts, deposition videos, court reporter fees, service fees, filing fees, and the cost of demonstrative exhibits. Defendants object to many of Plaintiff's requested costs.[1]

I. Copying Costs

Defendants object to Plaintiff's request for $20,029.97 in copying costs on the ground that Plaintiff has not established any of its copying costs were reasonably necessary.

---

1. A summary of the disallowed costs is attached as Exhibit 1 to this Opinion and Order.

Appendix I

Section 1920 does not contemplate an award of costs incurred for in-house copying expenses. See *Frederick v. City of Portland,* 162 F.R.D. 139, 142 (D.Or.1995)("[T]he balance of defendants' request [for costs] is inappropriate as it represents costs associated with the in-house photocopying of defense counsel."). *See also Voight v. Subaru-Isuzu Automotive, Inc.,* 141 F.R.D. 99, 103 (N.D.Ill.1992) ("Photocopying charges attributable to discovery and the court's copies of pleading, motions and memoranda are 'reasonably necessary for use in the case' and can be awarded. However, extra copies of file papers and correspondence, and copies of cases are not necessary, but are for the convenience of the attorneys and are therefore not taxable.").

Extra copies of documents for deposition and witness preparation are in-house copies made for the convenience of the attorneys and, therefore, these costs are not taxable. In contrast, "charges for exhibits and documents submitted to the court in support of motions, as well as copies of pleadings, motions and memoranda provided to the court are ... recoverable." *Grady v. Bunzl Packaging Supply Co.,* 161 F.R.D. 477, 479 (N.D.Ga.1995).

Plaintiff did not provide sufficient descriptions of its copying costs to enable the Court to determine whether Plaintiff's costs are for copies made for distribution to the Court, copies made to exchange with Plaintiff, or copies made for third parties. The Court, therefore, is unable to determine whether copying costs are allowable under § 1920. Accordingly, the Court declines to award copying costs to Plaintiff.

II. Deposition Costs

Defendants object to five categories of Plaintiff's requested deposition costs: videotaping services, condensed transcripts and/or ASCII transcripts, Realtime transcript services, multiple copies of transcripts, and shipping/delivery handling services.

A. Videotaping Services

Defendants object to Plaintiff's request for $7,250.03 for videotaped deposition services on the grounds that these video depositions were not used at trial and the standard transcript copies were available.

Costs related to depositions are generally available to the prevailing party. *Wash. State Dep't of Transp. v. Wash. Natural Gas Co.,* 59 F.3d 793, 806 (9th Cir.1995). Fees incurred for obtaining deposition transcripts may be recovered under 28 U.S.C. § 1920(2). *Ass'n of Flight Attendants, AFL CIO v. Horizon Air Indus., Inc.,* 976 F.2d 541, 551 (9th Cir.1992). A deposition need not be absolutely indispensable to justify an award of costs, but it must be "reasonably necessary at the time it was taken, without regard to later developments that may eventually render the deposition unneeded at the time of trial or summary disposition." *Frederick,* 162 F.R.D. at 143.

There is not any evidence that these videotaped depositions were unnecessary at the time they were taken. Accordingly, the Court awards Plaintiff $7,250.03 for these costs.

B. Condensed Transcripts and/or ASCII Transcripts

Plaintiff contends it did not include any condensed deposition fees or ASCII disc charges in its Petition. As Defendants note, however, it appears Plaintiff included charges in the amount of $65.00.

Based on Plaintiff's representation in its Petition, the Court assumes Plaintiff did not intend to include these costs and declines to award Plaintiff $65.00 for these costs.

C. Realtime Transcript Services

Defendants object to Plaintiff's request for $984.75 for "Realtime feed rough draft transcript[s]" for three depositions.

Section 1920(2) provides for the taxation of fees of the "court reporter for all or any part of the stenographic transcript necessarily obtained for use in the case." Courts have considered several factors when determining whether to allow recovery of the cost of daily transcripts:

> (1) the length of the trial and the complexity of the issues, (2) whether a daily transcript was necessary to minimize disagreement over the testimony of witnesses, (3) whether proposed findings of fact were required, (4) whether the case involved expert witnesses whose cross-examination required knowledge of the exact wording of their previous testimony or that of any

other witness, (5) the size of the claim, and (5) [*sic*] the importance of witness credibility.

Ernst v. Anderson, No. 02 C 4884, 2006 WL 163024, at *2 (N.D.Ill. Jan. 18, 2006). These factors carry less weight in the context of depositions than in the context of a trial where time is tight and resources are often stretched thin. Although this case was complicated, involved expert witnesses, and included large claims, the Realtime transcript costs are for deposition transcripts rather than trial transcripts. There is not any evidence that Plaintiffs were so pressed for time that the immediacy of these transcripts was reasonably necessary nor that the standard form of deposition transcripts would have been unsuitable.

Accordingly, the Court declines to award Plaintiff $984.75 for Realtime deposition transcripts.

D. Multiple Copies of Transcripts

Defendants object to Plaintiff's request for $349.62 for six additional copies of the Huebner deposition transcript. It is unclear why Plaintiff needed six additional copies of this deposition. Accordingly, the Court declines to award Plaintiff $349.62 for the additional copies of the Huebner deposition.

E. Shipping and Delivery Costs

Defendants object to Plaintiff's request for $211.00 for costs of "delivery/shipping and handling" services. Section 1920 does not provide for an award of costs for shipping or delivery-handling services. *See Frederick*, 162 F.R.D. at 146

(delivery charges "are not mentioned in § 1920 and are routinely excluded as taxable costs.").

Accordingly, the Court declines to award Plaintiff $211.00 for delivery/shipping and handling services.

III. Demonstrative Exhibits

Defendants object in part to Plaintiff's request for $4,629.25 for "[c]olor charts and copies of exhibits used during *Markman* hearing, including enlarged boards." Specifically, Defendants object to $2,293.75 for designing the charts and copies and $569.00 for overnight shipping of the demonstrative exhibits.

Section 1920 does not contain any provision allowing costs for designing demonstrative exhibits to be shifted from the prevailing party. Accordingly, the Court declines to award Plaintiff $2,293.75 for the design of demonstrative exhibits.

As noted, delivery charges "are not mentioned in § 1920 and are routinely excluded as taxable costs." *Frederick*, 162 F.R.D. at 146. In addition, Plaintiff does not provide any explanation as to the reason the exhibits had to be shipped overnight. Accordingly, the Court declines to award Plaintiff $569.00 for overnight shipping of the demonstrative exhibits.

Appendix I

CONCLUSION

For these reasons, the Court **DENIES** Plaintiff's Petition for Attorneys' Fees (# 203) and **AWARDS** costs to Plaintiff in the amount of **$30,953.10**.

IT IS SO ORDERED.

DATED this 12th day of September, 2006.

/s/ Anna J. Brown
ANNA J. BROWN
Untied States District Judge

Appendix 1

Exhibit 1

Accumed v. Stryker
04-CV-513
Cost Bill

Type of Cost	**Disallowed**
Copying Costs	20,029.97
Videotaping	.00
ASCII Transcripts	65.00
Realtime Transcripts	984.75
Multiple Copies	349.62
Shipping/Delivery	211.00
Demonstratives	2,862.75
Total Disallowed	24,503.09
Total Requested	55,456.19
Total Allowed Costs	30,953.10

APPENDIX J — STATUTE INVOLVED

35 U.S.C. § 112. Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

Subject to the following paragraph, a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

Appendix J

A claim in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

APPENDIX K — CONSTITUTIONAL PROVISION INVOLVED

U.S. Constitution, Article 1, Section 8, cl. 8

Article I

* * *

Section 8. The Congress shall have power * * *

To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;

* * * *